

## Message Text

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45

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 SPC-03 SAM-01 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

COME-00 FEA-02 INT-08 OIC-04 NEA-11 PA-04 PRS-01

USIE-00 DRC-01 IO-14 /136 W  
----- 101335

R 080933Z FEB 74

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 6204

INFO AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

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PASS USIA

E.O. 11652: N/A

TAGS: ENRG, MY

SUBJECT: WASHINGTON OIL CONFERENCE -- FEB 11

1. SUMMARY: A FEB 8 LUNCHEON MEETING OF EMBASSY-USIS WITH GOM OFFICIALS AND TOP MALAYSIAN NEWS EDITORS PROVIDED OPPORTUNITY GAUGE MALAYSIAN REACTION TO USG PROPOSALS FOR INTERNATIONAL COOPERATION IN OIL CRISIS. PURPOSE OF MEETING WAS EXPLAIN AND ELICIT SUPPORT FOR US POSITION AS OUTLINED IN VIDEO TAPE OF SECRETARY'S ANNOUNCEMENT OF FEB 11 MEETING AND IN EMBASSY COMMENTARY MALAYSIAN RESPONSE ON SEVERAL ISSUES, HOWEVER, IS OF INTEREST AND INDICATES, SUBJECT TO SUCCESSFUL WASHINGTON MEETING, PROBABLE POSITIVE POSITION N NEXT STEPS IN SCENARIO. END SUMMARY.

2. PRIMARY MALAYSIAN POINTS WERE:

(A) DEPDIRECTOR OF EPU, BADRUDDIN, SAID GOM EXTREMELY  
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WORRIED ABOUT POSSIBLE RECESSION RESULTING FROM OIL

CRISIS.GOM PLANNING OFFSETTING ACTION FOR YEAR IN ANTICIPATION OF SLOWDOWN IN INDUSTRIAL COUNTRIES, BUT OIL RECESSION WOULD MEAN FALLING MARKETS BEYOND GOM OFFSETTING CAPACITY. THUS, GOM FAVORABLY DISPOSE TOWARD INTERNATIONAL ACTION TO PREVENT OR DETER RECESSONARY PRESSURES FROM OIL PRICE INCREASE.

(B) BOTH ADNAN (PETROLEUM DIV CHIEF) AND BADRUDDIN QUERIED US REGARDING INCLUSION LDC'S ONLY AT SECOND STAGE OF US SCENARIO, BUT AGREED WITH US THAT LDC'S INTERESTS COULD BE ADEQUATELY REPRESENTED. BOTH SOPIEE (BENRAMA NEWS DIRECTOR) AND BADRUDDIN CONSIDERED OUR STAGING AS PREFERABLE TO UN APPROACH, AND ADNAN INDICATED PRESENT PLANS WERE TO SEND LOW-LEVEL GOM REP TO ECAFE MEETING ON PETROLEUM.

(C) ADNAN AND SOPIEE SAID THAT OVERRIDING INTEREST OF ARABS, WITH WHOM THEY HAVE HAD EXTENSIVE CONTACTS, WAS IN DEVELOPING THEIR INDUSTRIAL CAPACITY AND IN TYING OIL PRICES WITH INDUSTRIAL-CAPITAL PRICES. THEY BELIEVE PRICE INDEXING FORMULA FOR OIL CONTRACTS BEST MEANS OF SATISFYING THIS DEMAND.

(D) ALL GUESTS BELIEVED FINANCING ARRANGEMENT SUCH AS SPECIAL DRAWING RIGHTS REQUIRED FOR MEETING BALANCE OF PAYMENTS PROBLEMS RESULTING FROM OIL PRICE INCREASE. SOPIEE AND BADRUDDIN AWARE OF IFM (WITHEVEEN) PROPOSALS, AND WHILE NOTING THAT GOM WOULD NOT MAKE USE OF THESE DRAWING RIGHTS, BELIEVED THAT GOM WOULD BE FAVORABLY DISPOSED TOWARDS IMF FUNDING FOR THIS PURPOSE.

(E) IN RESPONSE TO OUR SUGGESTION THAT OIL PRODUCERS SHOULD PROVIDE SPECIAL ASSISTANCE TO LDC'S, BADRUDDIN GAVE US A BRIEF ACCOUNT OF PRESENT PLAY ON ISLAM DEVELOPMENT BANK, WHICH HE HAS BEEN ACTIVE IN ESTABLISHING. HE EXPECTS IDB TO BE OPERATIONAL BY NEXT DECEMBER, WITH HQ'S IN KUALA LUMPUR AND ANNUAL MEETINGS IN JIDDAH. TENGHU ABDUL RAHMAN WILL HEAD IT, WITH CAPITALIZATION OF DOLS 1.4 BILLION (DOLS 400 MILLION FROM SAUDI ARABIA, DOLS 300 MILLION FROM LIBYA AND REMAINDER FROM OTHER MUSLIM OIL PRODUCERS INCLUDING MALAYSIA). HALF OF CAPITAL IMMEDIATELY PAYABLE AND REMAINDER PAYABLE RPT PAYABLE IN TEN YEARS. PROJECT AND INFRASTRUCTURAL LIMITED OFFICIAL USE

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PLANNING FINANCING WILL BE PROVIDED ONLY TO MUSLIM COUNTRIES (PLANS FOR BANGLADESH ARE WELL ADVANCED) AND MUSLIM AREAS, EG, SOUTHERN PHILIPPINES AND SOUTHERN THAILAND. (F) STRONG POSITION OF US IN MEETING OIL REQUIREMENTS WAS RECOGNIZED BY ALL GUESTS, SOME OF WHOM FELT THAT US MIGHT BECOME OIL EXPORTER IN THE NEXT YEAR. WE POINTED OUT FIRMLY, HOWEVER, THAT IT WAS NOT US INTENTION TO GO IT ALONE, BUT RATHER TO ESTABLISH A

FRAMEWORK FOR INTERNATIONAL COOPERATION AS IN THE BEST  
INTERESTS OF US AS WELL AS OTHER CONSUMERS AND PRODUCERS.

3. COMMENT: THIS WAS EMBASSY-USIS FIRST OPPORTUNITY  
TO USE VTR IN MALAYSIA AND WE SATISFIED THAT SECRETARY'S  
EXPLANATION, PRESENTED HERE ON EVE OF FEB 11  
CONFERENCE, MADE A STRONG IMPRESSION ON TOP  
EDITORIAL WRITERS AND GOM OFFICIALS. ALTHOUGH GOM  
OFFICIALS NOT RPT NOT FINAL DECISION MAKING LEVEL,  
THEY REPRESENT SECOND ECHELON AND ARE FULLY AWARE OF  
TOP LEVEL THINKING. THUS, WE BELIEVE THAT, PENDING  
SATISFACTORY OUTCOME OF FEB 11 MEETING, GOM WILL  
TAKE POSITIVE POSITION ON NEXT STEPS IN SCENARIO.  
UNDERHILL

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## Message Attributes

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**Channel Indicators:** n/a  
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